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# Fostering confidence and upholding integrity in real estate transactions

Real Estate Council of Ontario

RECO ANNUAL REPORT 2006 – 2007

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# CORPORATE PROFILE

The Real Estate Council of Ontario (RECO) is responsible for administering the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) and associated regulations on behalf of the Ontario Ministry of Government Services. RECO protects the public interest through a fair, safe and informed marketplace.

RECO was established in 1997 as a delegated administrative authority under the *Safety and Consumer Statutes Administration Act*, as a result of the mutual desire of the government and the real estate industry to enhance professionalism, increase consumer protection and provide an effective, efficient and responsive regulatory framework. The Ministry of Government Services continues to be responsible for the REBBA 2002 and associated regulations, as well as general oversight of RECO.

The administration and enforcement of the Act and its regulations are the responsibility of RECO. RECO administers the REBBA 2002 in accordance with the terms of the Administrative Agreement between the Ministry of Government Services and RECO.

RECO as a not-for-profit organization comprises of two distinct categories: Corporate Services and the Office of the Registrar. General operating receipts are derived primarily from registration fees required under the Act. Other fees include transfer fees, administrative fees related to the education nominee agreement with the Ontario Real Estate Association, cost recoveries and administrative penalties assessed by the Discipline Committee and miscellaneous revenues. Any excess revenue is invested to enhance programs and services.

Insurance receipts are comprised of premiums, premium stabilization amounts and administrative fees. All receipts related to the Insurance Program are required to be held in trust and segregated from operating funds into these three trust categories.

As of March 31, 2007, RECO had 73 employees.

## Core Purpose

Fostering confidence and upholding integrity in real estate transactions

**Mission**

To regulate the activity of trading in real estate in the public interest

**Responsibility**

Interpret, enforce and suggest modifications to regulations

**Relationship**

RECO has an exclusive contract with the government to administer the Act and must perform in a manner consistent with the government's expectations and the terms of the Administrative Agreement.

**Core Values**

RECO is dedicated to organizational behaviour characterized by:

**Integrity:** Be truthful and trustworthy
**Accountability:** Administer the Act competently in accordance with law
**Fairness:** Act impartially and equitably
**Respect:** Treat all with courtesy

# MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Real Estate Council of Ontario (RECO) for the fiscal year ended March 31, 2007.

This past year was RECO's first full year of operating under the *Real Estate and Business Brokers Act, 2002* (REBBA 2002) and it was a year of progress and continuity. RECO carried on with business as usual but in the context of the new Act and regulations. Through the ongoing administration of REBBA 2002 and related communication efforts, RECO became more familiar to our stakeholders as an authoritative source of real estate regulatory information.

Certain events of the fiscal year bore evidence to RECO's demonstrated success as a regulator as other organizations sought RECO's advice, input or support. We met with a delegation from China seeking information to help with real estate regulation in their jurisdiction; we met with the Ontario Association of Home Inspectors to discuss their efforts to achieve provincial recognition for their National Certification Standards and we also met with the Ontario Association of the Appraisal Institute of Canada to discuss their pursuit of regulation of appraisal activity in Ontario.

RECO and its Board appreciate the regular interaction and consultations we have with the Ministry of Government Services, particularly as we prepare to take on a new and important responsibility – the delegation of regulation-making powers to the Board of Directors. We believe this responsibility is a result of the real estate industry's demonstrated maturity, professionalism and ability to consider the broader public interest. The Board has already established a Legislation and Regulations Committee to support its efforts in this area.

With the help of a Selection Committee, the Board also recruited public and registrant members to serve on the Discipline and Appeals Committees under REBBA 2002.

While the accomplishments of the past year have been remarkable, it is even more impressive to review the accomplishments since RECO was established 10 years ago. A few years ago during a Board's strategic planning session, we discussed how we would want RECO to be described in 10 to 20 years. Seeing how much RECO has achieved in 10 years, I would describe RECO as a successful regulator that is continually proving its commitment to a well-regulated real estate marketplace.

It has been an honour and privilege to serve as Chair of RECO's Board this past year. I wish to acknowledge the contribution of Board and Committee members during my tenure as we worked together to enhance consumer protection in the real estate marketplace.

I want to thank RECO's management for their dedicated work and support of the Board's initiatives. Their efforts make RECO an organization to be proud of as it fulfills its mission and core purpose.

Sincerely,

Joe Pinheiro
Chair, Board of Directors

Joe Pinheiro, who served as Vice-Chair in 2005, has also served on RECO's Board as Chair of the Insurance Stabilization Committee in 2002-2005.

Mr. Pinheiro began his career in Real Estate in 1976 as a real estate salesperson with the London & St. Thomas Association of Realtors (LSTAR), formerly known as the London & St. Thomas Real Estate Board (LSTREB). He served as the President of LSTREB in 1986 and 1992, Vice President in 1984 and 1985. He also served as member of and Chair of most Committees of LSTREB including: Conference Liaison, 1995; Standard Forms, 1995; Professional Development, 1996; Public Relations, 1997; Government Relations, 1998-1999; Executive Committee, 1996-1997 and as a member for OREA Foundation Golf Classic from 1996-1999.

Between 1994 and 1999, Joe served as OREA Director Region 1 in 1994 & 1995, then as Director -at-Large from 1996 to 2001. In 1995, he received an Outstanding Service Award from LSTREB.

Mr. Pinheiro is broker of record and owner of Pinheiro Realty & Insurance Ltd. in London, Ontario.

# MESSAGE FROM THE PRESIDENT/CEO

On March 31, 2006, the day before this fiscal year began, the REBBA 2002 came into effect. Over the past year, the day-to-day administration and enforcement of REBBA 2002 became our new reality. With the majority of the work related to the implementation of the new Act behind us, we had an opportunity to focus on several initiatives that had been on hold.

A new organizational structure was implemented to support the administration of REBBA 2002. A key goal of this change was to ensure that RECO operates effectively and continues to meet identified needs. One of these needs is delivering enhanced services to an ever-increasing number of registrants. We continue to experience increases in registrants, reaching levels not seen since RECO was established in 1997. There are now more than 51,000 individual and business registrants in Ontario.

The changes to our organizational structure included the addition of staff to meet the increased workload created by our growing registrant base. We also completed a facilities review to determine options for meeting RECO's office space needs. The Board of Directors approved a renewal of the lease in our current location that includes an expansion of office space to accommodate staff.

Given RECO's consumer protection mandate, we understand the need to remain aware of changing consumer perceptions, concerns, expectations and needs. Feedback from our Consumer Advisory Group has shown that consumers want to know they are dealing with someone who takes continuing education courses, is familiar with current legislation and is required to adhere to ethical standards. They want to know there are protections in place, such as consumer deposit insurance. As we move forward, we will develop new, consumer-focused information.

We continued our focus on enhancing RECO's electronic service delivery, seeking ways to improve communication with both registrants and consumers. Work is underway to produce consumer-focused publications and website material. The new website will feature a consumer section that promotes the value of working with a broker or salesperson and offers information of particular interest to consumers.

Another enhanced service introduced during the last year was a phone system that provides virtual call centre capability. Implemented to support the insurance renewal process, the phone system significantly decreased caller wait times during peak activity periods. In the coming year, we will move closer to our goal of pilot testing an online registration renewal process building on the success of the online insurance renewal process.

RECO's initiatives over the past year demonstrate and affirm our focus on our core purpose of fostering confidence and upholding integrity in real estate transactions. We value our working relationship with stakeholders such as the Ontario Real Estate Association (OREA) and local real estate boards which

enhances our ability to achieve the goals and objectives we set. Our collaborations and positive relationship with the Ministry of Government Services and its staff help to ensure effective consumer protection in the real estate marketplace is at the forefront of our activities. I credit the commitment of RECO staff, the guidance, support and direction from the Board of Directors and the strong relationship that exists between the Board and staff for our success in meeting and exceeding our goals.

As reflected in the section, RECO Accomplishments – Historic View, there has been a tremendous effort to enhance the value of regulation for both consumers and the real estate industry since RECO's inception in 1997. We've come a long way in 10 years! RECO has emerged as a strong real estate industry regulator with an enhanced regulatory framework that protects the interests of both consumers and registrants. I am confident RECO's record of accomplishments will grow even more over the next 10 years. RECO will "remain the same by constantly changing."

Sincerely,

Tom Wright
President/CEO

Tom Wright joined RECO as Registrar in 1997 and took over as President and CEO in January 2002. Prior to joining RECO, Tom was Information and Privacy Commissioner for the Province of Ontario from 1991 to 1997, heading the office responsible for ensuring that ministries and government agencies of the provincial government comply with Ontario's freedom of information and privacy laws. A graduate of Queen's Law School, Tom was called to the Ontario Bar in 1975 and practiced law for 10 years prior to joining the Ontario public services in 1985 where he held various legal positions before becoming Commissioner.

# RECO ACCOMPLISHMENTS – HISTORIC VIEW

## 1997 – 1998

- Concluded the first year of RECO's operations including a six-month transitional period during which RECO staff combined with Ministry staff to provide continuing service and support related to the day-to-day administration of the *Real Estate and Business Brokers Act*
- Secured new premises and hired the management team
- Board of Directors established the Consumer Protection, Real Estate Act, Code of Ethics/CCD, Specialty Licensing and Election Task Forces

## 1998 – 1999

- Approval of the Membership By-law, facilitating a regulation change (all members must be registered under the Act and all registrants must be members of RECO)
- Approval of the Election By-law, establishing procedures for the Election of Directors
- *Red Tape Reduction Act,* 1998 received Royal Assent, allowing RECO to pass By-Laws establishing consumer protection programs
- Established a RECO registration system (RMS) to replace the Ministry system
- Conducted ten times the number of inspections conducted by the Ministry in previous years
- Reduced registration application processing turnaround time from weeks to days

## 1999 – 2000

- Implemented the Complaints, Compliance and Discipline Process and the Code of Ethics under the Membership By-law
- Implemented the Mandatory Continuing Education Program under the Membership By-law
- Consulted with stakeholders on Insurance Program options, resulting in member approval of the Insurance By-law
- Conducted the first Election of Directors

## 2000 – 2001

- Implemented the Insurance Program and established the Premium Stabilization Fund Committee
- Implemented mail-in voting for the Election of Directors
- Implemented an increase in registration fees and introduced a new fee for transfers
- Responded to the Ministry's consultation paper related to the proposed real estate act

## 2001 – 2002

- Participated in a review of the Delegated Administrative Authorities, which resulted in positive feedback
- Board of Directors approved the 2003-2005 Strategic Plan
- Achieved a 96 percent compliance rate with Mandatory Continuing Education requirements during the first reporting period
- Developed "Registrant Search" feature that was added to the RECO website
- Became a member of the Consumers Council of Canada
- Participated in the federal government's National Consumer Gateway Project

## 2002 – 2003

- *Real Estate and Business Brokers Act, 2002* received royal assent
- Board of Directors adopted Complementary Governance Model and developed/approved the Board Policy Manual
- Established internal information technology capacity and hired a Manager of Information Technology
- Completed a comprehensive review of internal systems
- Introduced pre-hearings to the Complaints, Compliance and Discipline Process
- Hired full-time insurance staff to assist with the administration of the Insurance Program

## 2003 – 2004

- Participated in the Canadian Regulators Group Agency Task Force, which developed recommendations contained in the *Report of the Agency Task Force*
- Issued a Request for Proposal for the provision of the Insurance Program
- Education Committee initiated a comprehensive review of the Continuing Education Program
- Reviewed the Administrative Agreement between RECO and the Ministry, leading to amendments
- Established a Consumer Advisory Group
- Introduced courtesy inspections to help new brokerages set up proper record-keeping procedures from the start
- Reintroduced registrant newsletter (*For the RECOrd*)

## 2004 – 2005

- Implemented web-based intranet (RECOnet)
- Implemented an extranet for registrants (MyWeb), which included an online payment feature for insurance renewals
- Submitted recommendations related to draft regulations to the Ministry
- Consulted with stakeholders on the Continuing Education Program recommendations for change
- Initiated a review of alternative risk-transfer options related to the Insurance Program
- Approval of a By-law change eliminating the Commercial "as of right" Director position on the Board, which the Board committed to replace with an advisory group

## 2005 – 2006

- *Real Estate and Business Brokers Act, 2002* (REBBA 2002) came into force, advancing consumer protection and incorporating programs previously under RECO By-laws such as the Code of Ethics and Complaints Process, the Insurance Program, and the Continuing Education Program
- Certain regulation-making powers will be delegated to the Board of Directors effective September 2007
- Completed significant implementation activities related to REBBA 2002 and associated regulations
- Developed and delivered the "Introducing REBBA 2002" kit to all registrants (identified by the Ministry as a "best practice")
- *Guide to REBBA 2002*, contained in the "Introducing REBBA 2002" kit, adopted as course reference material for pre-registration and registration related courses
- Reviewed and implemented changes to RECO's organizational structure (some changes scheduled for fiscal year 2006 – 2007)
- Conducted the first Client Satisfaction Survey in accordance with the Administrative Agreement
- Implemented a new Public Notice Policy, consistent with REBBA 2002 requirements, which increased information related to Registrar's proposals, convictions, charges and discipline/appeals panel decisions available on the website and through the "registrant search" feature
- Established a Commercial Real Estate Advisory Group

# REPORT ON OBJECTIVES

## GOVERNANCE & ACCOUNTABILITY

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| Fulfill requirements of the Administrative Agreement with the Ministry of Government Services | A Legislation & Regulations Committee was established in November 2006 in preparation for the responsibilities associated with regulation-making powers delegated to the Board of Directors, including ensuring that future changes to regulations are addressed within the framework of the consultation criteria established by the Minister of Government Services.<br><br>RECO continued to work closely with Ministry staff to discuss issues related to the implementation of REBBA 2002; submitted quarterly reports; provided updates on ongoing and new issues; responded to request for information and attended MGS/RECO liaison meetings. |
| Meet the obligations of the Governance Model | The Board of Directors implemented a new evaluation process to assess its collective effectiveness in meeting and achieving its obligations.<br><br>The Board attended the Ministry of Government Services Annual Delegated Administrative Authority Board Retreat in October 2006. In addition, the Vice-Chair and President/CEO attended the Canadian Society of Association Executives CEO Symposium in February 2007.<br><br>The Board conducted its annual review of the committee, task force and working group structure and implemented changes as needed, including the establishment of a Selection Committee responsible for recruiting and selecting both public and registrant members to serve on the Discipline and Appeals Committees under REBBA 2002. This was the first time that RECO recruited public members to serve on its Discipline and Appeals Committees. The recruitment exercise was a success marked by a substantial response from both registrant and public applicants. |
| Enhance nomination and election process | The Board completed its review of the election process to determine the feasibility of electronic voting for the election of Directors. At its Annual General Meeting in June 2007, RECO will seek membership approval of proposed changes to By-law No. 9 intended to facilitate the implementation of electronic voting of Directors.<br><br>RECO continued to utilize its registrant e-mail system to notify registrants of the call for nominations and issue reminders. The eastern/northeastern/northern region elected a Director by acclamation. Elections are being held in the central and western/southern regions with a total of 8 candidates standing for election. |

## LEGISLATION & REGULATIONS

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| Complete work related to the implementation of REBBA 2002 | REBBA 2002 came into effect on March 31, 2006 – the last day of the previous fiscal year. Over the past year, RECO was engaged in ongoing activities related to the implementation of the new Act and regulations. |

A new Public Notice Policy, consistent with REBBA 2002 requirements, was developed and internal systems changes were completed to make the required information available to the public. Information available to the public includes: proposals to refuse, revoke or suspend registration; charges under REBBA 2002 and related convictions; as well as Discipline and Appeals Panel decisions.

RECO began refining and preparing to fully implement the new Registrar's Complaints and Inquiries Process to address allegations of misconduct related to REBBA 2002, including Ontario Regulation 580/05 (Code of Ethics).

Ensure consumer protection through continuous improvement initiatives

RECO consulted with Ministry staff on suggested modification to regulations resulting in amendments such as changes to the consequences for non-payment of insurance.

RECO implemented a process for identifying and tracking consumer protection and regulatory issues that might be addressed through future changes to regulations.

Provide a stable and affordable insurance program that meets the requirements of REBBA 2002

The Insurance Committee continued its review of alternative risk transfer options to ensure the long-term stability and affordability of the registrant insurance program. As part of this review, RECO's actuarial consultants engaged in a claims audit to assess claims handling costs and review claims management procedures and statistics. Based on the information gathered during the audit and its continued review of program options, the Insurance Committee presented recommendations to the Board of Directors in March 2007.

Provide an education model with improved content and delivery that enhances knowledge, competence and professionalism

The Registrar is responsible for establishing the Pre-Registration, Articling and Broker Educational Program requirements, as well as designating one or more organizations that are authorized to provide the Program. The Ontario Real Estate Association is the current provider of the Program under a Nominee Agreement that expires in July 2008. To ensure an open and competitive process, the Registrar issued a Request for Proposals for the Provision of the Pre-Registration, Articling and Broker Educational Program in November 2006. The Registrar, with the assistance of the Proposal Evaluation Committee established by the Board of Directors, initiated the selection and award process in March 2007.

The Registrar was also engaged in a review of the Education Committee's recommendations for changes to the Continuing Education Program. Due to ongoing work related to the implementation of REBBA 2002, it is anticipated that the Registrar will report back to the Board of Directors in September 2007.

Maintain brokerage inspection program

RECO continued its risk-based inspections program, inspected brokerages that were winding down their operations and conducted courtesy inspections of new brokerages on request. Inspectors also provided support to brokerages that had questions or concerns about new requirements under REBBA 2002 that affect record-keeping practices.

## COMMUNICATIONS

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| Improve communications channels to distribute information in a timely manner | The online version of the *Guide to REBBA 2002* was completed. As a result of amendments to the Act and regulations, the online version has been updated and will be launched in June 2007.<br><br>Work is ongoing to redesign RECO's website. The redesigned website, which will be launched in June 2007, will offer improved architecture to provide easier access to information for both registrants and consumers. |
| Increase consumer awareness of the value of dealing with a registered broker or salesperson | The redesign of the website includes the addition of a "consumer information" section. New material has been developed to provide consumer-focused information related to working with a registered broker or salesperson, agreements, deposit protection, complaints and other topics. This information is also intended to assist registrants in responding to common consumer questions and concerns.<br><br>RECO participated in the Ministry of Government Services' Smart Consumer Calendar by sponsoring a page. The RECO calendar page provides consumer tips related to mortgage fraud.<br><br>RECO attended the Government and Community Services Fair in Toronto in January 2007. This consumer-focused event is attended by other Administrative Authorities and a variety of organizations that provide consumer services. |
| French language services | French-speaking staff were available during regular business hours to respond to all communications received in French. A French version of the *Advertising Guidelines* was created and is available upon request. |

## STAKEHOLDER RELATIONS

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| Continue to strengthen relationship with Ministry of Government Services | RECO continued to work closely with staff at the Ministry of Government Services to provide updates on REBBA 2002 implementation matters, resolve regulatory issues related to the registrant insurance program, ensure reporting procedures were effective and share information related to the real estate industry. |
| Continue to participate in the Canadian Regulators Group (CRG) and the Association of Real Estate Licence Law Officials (ARELLO) | RECO attended the ARELLO Conference in San Antonio, Texas in September 2006. This conference provides an opportunity to share best practices, learn about industry issues in other jurisdictions and identify opportunities to enhance programs and services.<br><br>In June 2006, RECO attended the Canadian Regulators Group meeting in Quebec. The CRG meetings provide an opportunity to discuss real estate regulatory matters and to address issues that affect all jurisdictions. The next meeting of this group will take place in June 2007 in Manitoba. |

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| Continue to work with other Administrative Authorities and real estate sector organizations | RECO continued to attend Administrative Authority meetings, which provide an opportunity to share best practices and identify new initiatives for enhancing programs and services.<br><br>The Board met with representatives of the Ontario Association of Home Inspectors to discuss National Certification Standards and consumer protection issues related to home inspections. The Board also met with representatives of the Ontario Association of the Appraisal Institute of Canada who are pursuing regulation of appraisal activities in Ontario.<br><br>In December 2006, RECO hosted a 10-member delegation representing the Chinese central government, local government and real estate industry. China started developing plans to regulate trade in real estate in 2004 and the purpose of the meeting was to share information about the regulation of trade in real estate in Ontario. |
| Continue to work with the Ontario Real Estate Association and its member boards | RECO participated in more than 20 real estate board/association events and trade shows throughout the province. The events provide an opportunity to meet with registrants, identify and respond to issues and are a key component of RECO's outreach activities.<br><br>RECO continued to participate in RECO/OREA liaison meetings to discuss issues and share information on current initiatives. RECO also attended OREA's meeting of Executive Officers in October 2006 to provide an update on RECO's activities, participated in the OREA Political Affairs Conference in November 2006 and spoke at OREA's Leadership Conference in March 2007. |

## IMPROVE OPERATIONAL EFFICIENCY

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| Enhance service delivery | A new phone system was implemented that provides virtual call centre capability. Launched in time for the annual insurance renewal, the new system decreased caller wait times for insurance staff and significantly reduced the caller wait times for other departments during this peak activity period. |
| Complete facilities review | The facilities review was completed. The Board approved the renewal of existing leases for a period of 5 years, as well as obtaining additional space on the 6th floor and releasing a portion of the space currently occupied on the 5th floor. |
| Implement new organizational structure | To ensure that RECO continues to meet or exceed the service expectations of consumers and registrants, a new organizational structure was implemented. The most notable change was the division of RECO departments into two functional areas – Regulatory and Corporate Services. The Registrar oversees all regulatory departments and the Director of Corporate Services oversees all other departments. Other changes include the appointment of two Deputy Registrars, the addition of a Manger of Registration and the addition of a Manager of Administration & Human Resources. |

# THE REGISTRAR'S REPORT

In Fiscal year 2006-2007, the Office of the Registrar experienced a high level of activity related to REBBA 2002 implementation. This included changes to processes and functions in RECO's regulatory departments. The Office of the Registrar encompasses the Registration, Inspections and Investigations, Complaints, and Education departments.

It has become an ongoing practice for us to review and interpret the Act as we make new policy decisions and consider how the Act applies to RECO's activities. As a result of these ongoing reviews, we were able to identify areas of the Act that needed changes and held successful consultations with Ministry staff on suggested modifications to regulations.

In particular, we were extremely pleased with the Ministry's response to concerns RECO raised about the consequence for non-payment of insurance under REBBA 2002. The passing of the *Ministry of Government Services Consumer Protection and Service Modernization Act, 2006* provides a simpler, effective and more efficient process. The lengthy and expensive process of issuing Registrar's proposals for non-payment of insurance is now replaced with automatic suspension of registration.

As I predicted in the 2005-2006 report, this past year has been even busier for the Office of the Registrar than the year leading up to proclamation. In fact, we had to appoint an additional Deputy Registrar to handle the increasing demand for administrative and regulatory oversight.

Under Ontario Regulation 579/05, the Registrar is responsible for establishing the educational requirements for salespersons and brokers. The Registrar is also responsible for designating one or more organizations that are authorized to provide the required educational courses. Since OREA's current Education Nominee Agreement with the Registrar for the Provision of the Pre-Registration, Articling and Broker Educational Program will expire in June 2008, we issued a Request for Proposals (RFP) in November 2006. With the assistance of a Proposal Review Committee established by the Board of Directors, the evaluation and selection process began in March 2007 and is expected to conclude in June 2007.

We are currently in the process of planning a meeting of the RECO/OREA Joint Working Group to discuss the recommendations contained in the Canadian Regulators Group Agency Task Force Report and to contemplate next steps, including a consultation with stakeholders throughout Ontario.

We also worked on refining and preparing to fully implement the new Registrar's Complaints and Inquiries Process to deal with allegations related to violations of REBBA 2002, including Ontario Regulation 580/05 (Code of Ethics).

As a result of new REBBA 2002 provisions, RECO was able to respond more effectively to problems such as mortgage fraud. The Registrar's position is that any registrant proven to have knowingly participated in mortgage fraud faces losing their registration. Of the 68 investigations opened since April 2006, 52 involved allegations of mortgage fraud.

In 2006-2007, the Office of the Registrar initiated 367 administrative regulatory actions and issued 123 proposals to refuse or revoke registration. Of the proposals issued, 102 were a direct result of registrants failing to make required insurance payments.

The Performance Review section of this report contains a complete statistical overview of the activities of the Office of the Registrar.

I look forward to another eventful year as the Office of the Registrar continues to regulate the activity of trading in real estate in the public interest.

Sincerely,

Allan Johnston
Registrar

Allan Johnston has been involved in the real estate industry for the past twenty five years. Allan has been a REALTOR, the Executive Officer of the Halifax/ Dartmouth Real Estate Board and General Manager, Policy and Procedures Group with the Toronto Real Estate Board.

Prior to his involvement in real estate, he held a number of management and executive positions in other industries in Canada after serving for fifteen years in the Royal Air Force.

He served on two of RECO's Task Forces during 1997 and 1998, assisting in the development of the RECO Code of Ethics and the CCD process. Allan joined RECO in August of 1998 and became Registrar in 2002.

# PERFORMANCE REVIEW 2006-2007

6%
increase

As of March 31, 2007, **51,550** individuals and businesses were registered with RECO, reflecting a 6.4 percent increase from 2005-2006.

## REGISTRATION

RECO's registration services include processing new applications, renewals, reinstatements, maintaining the registrant database, and delivering the duties of the Registrar.

The Registrar determines eligibility to trade in real estate in Ontario based on requirements under REBBA 2002 and associated regulations.

The total number of registrants has been growing steadily. As of March 31, 2007, 51,550 individuals and businesses were registered with RECO, reflecting a 6.4 percent increase from 2005-2006. This is a continuing trend – the cumulative increase in total registrants since 2003 is 23.5 percent.

Registration staff process an average of 650 transactions per week.

In 2006-2007, new registrations increased to 5,201 from 5,135 in the previous year. In all, registration staff processed a total of 38,509 transactions – a 3 percent increase from 37,409 in 2005-2006.

### Registrar's Proposals

The Registrar has the authority to refuse, revoke or suspend registration where the applicant cannot reasonably be expected to conduct business in a financially prudent way or where past conduct gives reasonable grounds for the Registrar to believe that the applicant will not conduct business with integrity and honesty. However, an applicant can appeal the Registrar's proposal to deny registration to the Licence Appeal Tribunal (LAT).

In 2006-2007, the Registrar issued proposals to refuse or revoke the registration of 123 registrants compared with 24 the year before. This significant increase in revocations was the result of the Registrar revoking the registration of 102 registrants who failed to make the required insurance renewal payment, therefore breaching a condition of registration under REBBA 2002.

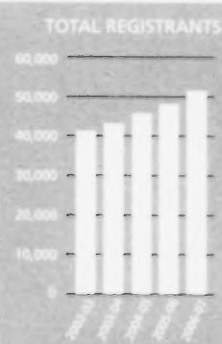
The Registrar also took administrative regulatory action, such as imposing terms and conditions or issuing a reprimand, against registrants in 367 cases. This is an increase of 5 percent from the previous year.

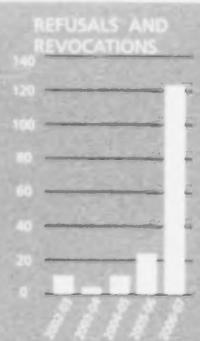
## EDUCATION

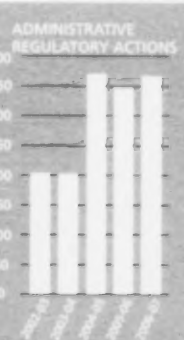
RECO's Continuing Education Program helps to equip real estate brokers and salespersons in Ontario with the up-to-date skills and knowledge they require in their daily business, which in turn helps to ensure excellence in their service to clients and customers.

In order to renew registration, all registrants must have fulfilled the requirements of RECO's Continuing Education Program. The continuing education requirements apply to all registered real estate brokers and salespersons regardless of the length of time they have been trading in real estate.

Registrants are required to complete a minimum of 24 continuing education credit hours, which includes a mandatory six-hour RECO Real Estate



Update Course in each two-year registration cycle. The remaining courses may be selected from a wide range of areas allowing registrants to tailor their education to areas of special interest.

In 2006-2007, RECO's Education Committee approved 14 new providers and 29 new courses.

### Request for proposals for Provision of Pre-Registration, Articling and Broker Educational Program

Under the Educational Requirements, Insurance, Records and Other Matters Regulation (s. 8 of Ontario Reg. 579/05) of REBBA 2002, the Registrar is authorized to designate one or more organizations to provide certain educational courses. In November 2006, the Registrar requested proposals from organizations to provide the Pre-Registration, Articling and Broker Educational Program for a period of five years.

## INSPECTIONS AND INVESTIGATIONS

### Inspections

The primary role of the inspections process is to administer the regulatory requirements of the real estate profession, which in turn increases the level of protection RECO is able provide to consumers and registrants.

RECO's inspections program enables one-on-one contact between RECO inspectors and brokers and provides opportunities to educate brokers about maintaining current and appropriate records. RECO inspectors routinely visit established brokerages to ensure compliance with REBBA 2002 and associated regulation or schedule courtesy inspections with new brokerages to help them start out their businesses in compliance with regulatory requirements.

RECO inspectors are trained to provide accurate information and field registrant questions. During brokerage inspection visits inspectors examine records such as trust account records, trade contracts and trade record sheets. RECO conducted 557 inspections in 2006-2007.

### Investigations

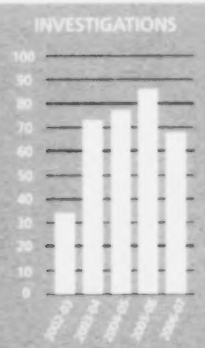
RECO investigates alleged violations of REBBA 2002 and associated regulations. Sixty-eight investigations were conducted in 2006-2007. RECO's investigative work led to 21 prosecutions in the Ontario Court of Justice. There were a total of 36 convictions and the total of fines imposed was $210,000.

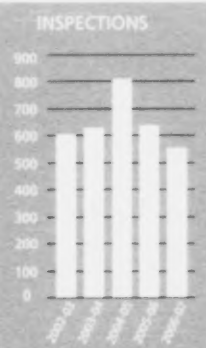
## COMPLAINTS

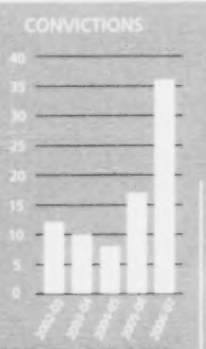
The Code of Ethics under REBBA 2002 sets out the minimum standards registrants must follow when conducting business. Such standards protect the public interest in real estate transactions and help ensure public confidence in registrants.

Complaints related to conduct that took place after March 31, 2006 are handled through the Registrar's Complaints and Inquiries (RCI) process. Complaints related to conduct that took place prior to March 31, 2006 continued to be addressed by the Complaints, Compliance and Discipline (CCD) process.

The most common complaints related to conduct under By-Law 10 in 2006-2007 were related to ethical behaviour, primary duty to client and professional conduct. The most common complaints



related to conduct under REBBA 2002 were related to advertising, unprofessional conduct and best interests.

In 2006-2007, RECO continued to receive a high number of inquiries related to compliance.

Out of the 906 complaints that were resolved in 2006-2007:

- 35 percent were dismissed by the Registrar and the Manager of CCD,
- 33 percent were resolved through administrative actions such as written caution or a requirement to complete education courses,
- 25 percent were closed because the complainant did not respond to request to attend as a witness,
- 3 percent were referred to the Registrar for further action,
- 1 percent led to personal interviews,
- 1 percent were closed because the complainant withdrew the complaint,
- 1 percent were disposed by means of discipline decisions after a disciplinary hearing,
- 1 percent were referred to other organizations.

Thirty-seven complaints resulted in formal disciplinary hearings and 5 of those cases were reviewed by the Appeals Committee. The number of hearings held in any given year depends on the nature of complaints received in that year.

**557**
**inspections**

RECO conducted 557 inspections in 2006-2007. RECO's investigative work led to 21 prosecutions in the Ontario Court of Justice. There were a total of 36 convictions and the total of fines imposed was $210,000.

## INSURANCE PROGRAM

### CLAIMS STATISTICS

RECO's Insurance Program (the Program) has accumulated over 6 years of claims statistics since the first insurance policy was issued to registrants on September 1, 2000. This information will assist RECO in its ongoing efforts to continue securing the broadest and most affordable insurance coverage in the marketplace for its registrants.

The following is a summary of the Program's claims experience over the last year up to and including February 28, 2007.

### Consumer Deposit Insurance Policy

The Consumer Deposit coverage protects consumers from loss of deposits due to broker fraud, insolvency or misappropriation of funds. The number of claims reported remains low for this component of the program. The total cost of Consumer Deposit claims, both completed and in process, from inception of the Program to February 28, 2007 is $1,478,358.

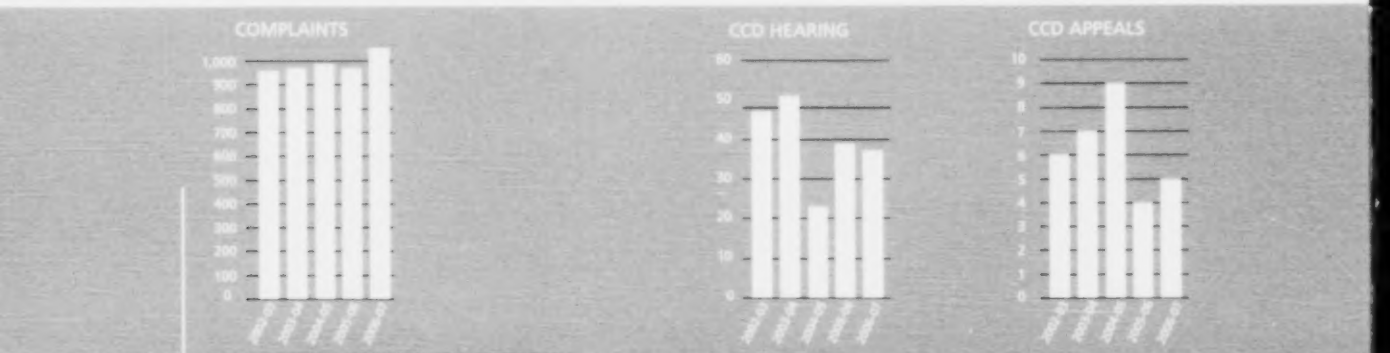
### Commission Protection Insurance Policy

The Commission Protection coverage protects registrants against loss of commissions as a result of broker fraud, insolvency or misappropriation of funds. The total cost of Commission Protection claims, both completed and in process, from inception of the Program to February 28, 2007 is $1,090,503.

### Errors & Omissions Insurance Policy

The Errors & Omissions coverage provides members with professional liability insurance for acts of alleged negligence. Since inception of the Program to February 28, 2007 a total of 3,620 claims have been reported - of which 2,586 claims have been completed and the files closed. There are 1,034 claims still open and being investigated or defended.

The total cost of Errors and Omissions claims, both completed and in process, from September 1, 2000 to February 28, 2007 is approximately



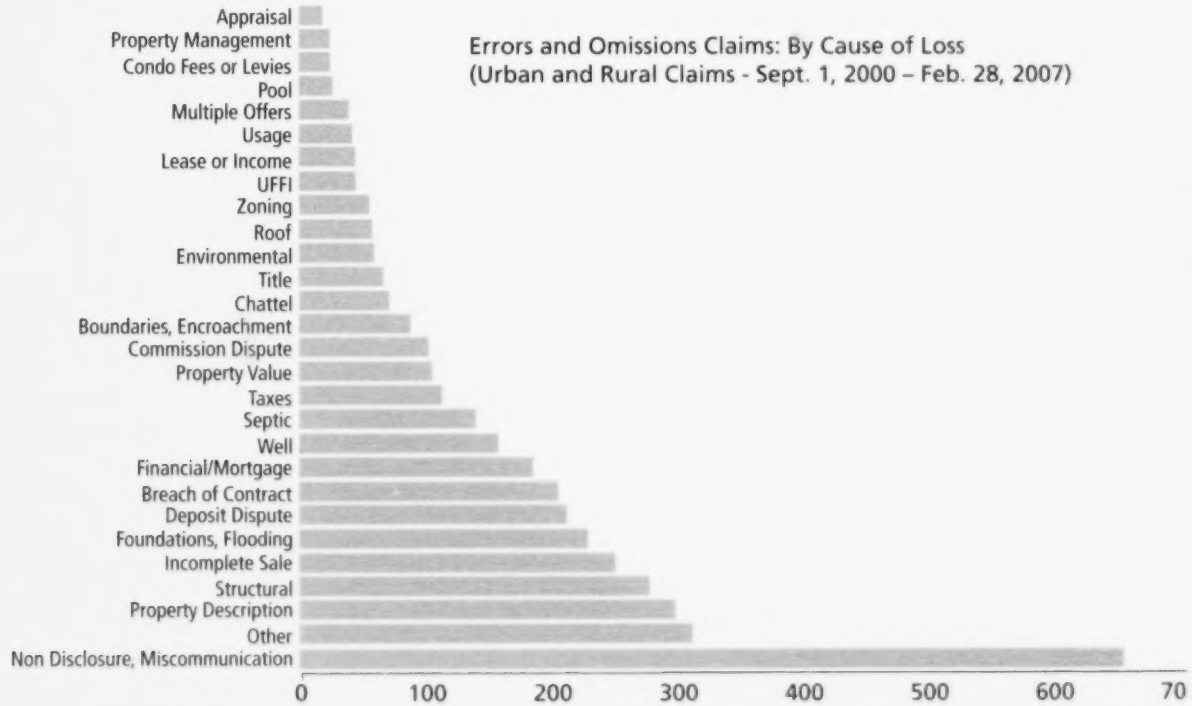
$20,349,937 (including legal fees, adjusting fees and claim payments)[1]. Over this period, the average cost of a completed claim is $3,514 and the average cost of a claim in process is $10,900. These figures reflect an increase in costs over last year (as of February 28, 2006) when the average cost was $3,026 for a completed claim and $7,657 for claims in process. The increase is the result of increased settlement payments and higher expenses to investigate, defend, and settle claims.

Claims classified as Non-Disclosure, Miscommunication remain disproportionately high compared to previous years – which is the result of the manner in which the insurer classifies claims.

## Real Estate Profession - Learning From Loss Experience

RECO's loss statistics continue to be shared with RECO's Education Committee and OREA for use in assessing education needs. As a result, the RECO Real Estate Update Course materials incorporate claims loss information that assist in the identification and the preparation of materials to address loss control issues. RECO anticipates that with the wealth of statistical information in its possession it will be able to provide even more valuable loss control/ risk prevention information to registrants in coming years.

1. The total cost of claims (for errors and omissions, consumer deposit and commission protection) includes both paid and reserved amounts for the previous and current Program insurers.



# AMENDMENTS TO REBBA 2002 AND THE REGULATIONS

## AMENDMENTS TO THE *REAL ESTATE AND BUSINESS BROKERS ACT, 2002*

Effective April 1, 2007, subsection 1 (1) was amended by adding the following definition:

"investigator" means an investigator appointed under subsection 22 (1);

Effective January 31, 2007, subsection 5(1) (j) was amended by striking out "Tenant Protection Act, 1997" and substituting "Residential Tenancies Act, 2006".

Effective December 20, 2006, the Act was amended by adding the following section:

Suspension without a hearing

16.1 (1) If a registrant does not pay any amounts that the registrant is required to pay with respect to insurance, the registrar shall suspend the registration of the registrant effective as of the date at which the term of the insurance related to the payment begins.

No hearing

(2) Section 14 does not apply to a suspension of registration under subsection (1).

Notice of suspension

(3) The registrar shall give written notice to the registrant, that sets out,

(a) the fact that the registrar has suspended the registration;

(b) the reason for the suspension;

(c) the date as of which the suspension took effect;

(d) the fact that the registrant is not entitled to request a hearing under section 14 with respect to the suspension; and

(e) the registrant's right of revival of the registration under subsection (4).

Revival

(4) The registrant is entitled to have the registration revived for the unexpired balance of its term upon,

(a) paying the unpaid amounts, for which default in payment resulted in the suspension; and

(b) providing to the registrar evidence in writing satisfactory to the registrar that the registrant has paid all amounts that the registrant is required to pay with respect to insurance.

Same

(5) Upon receiving the evidence described in clause (4) (b), the registrar shall,

(a) revive the registration for the unexpired balance of its term effective from the date on which the registrant paid the unpaid amounts described in clause (4) (a); and

(b) give notice in writing to the registrant of the revival and the date on which it is effective.

Service of notice

(6) Subsection 45 (3) does not apply to the notice mentioned in subsection (3) or clause (5) (b).

Effective April 1, 2007, clause 20 (2) (b) and subsection 20 (4) of the Act were amended by striking out "information in any form" wherever that expression appears and substituting in each case "information that is relevant to the inspection and that is in any form".

Effective April 1, 2007, subsection 22 (3) of the Act was repealed and the following was substituted:

Production of certificate of appointment

(3) Every investigator who is conducting an investigation, including under section 23, shall, upon request, produce the certificate of appointment as an investigator.

Effective April 1, 2007, subsection 23 (1) of the Act was amended by striking out "appointed under this Act" in the portion before clause (a).

Effective April 1, 2007, subsection 23 (2) of the Act was amended by striking out the portion before clause (a) and substituting the following:

Powers under warrant

(2) Subject to any conditions contained in it, a warrant obtained under subsection (1) authorizes an investigator,

Effective April 1, 2007, clause 23 (2) (a) was amended by striking out "upon producing his or her appointment".

Effective April 1, 2007, subsection 23 (5) of the Act was amended by adding "and other persons as necessary" after "knowledge".

Effective April 1, 2007, subsection 23 (11) of the Act was repealed and the following substituted:

Return of seized items

(11) Any investigator who seizes any thing under this section or section 23.1 may make a copy of it and shall return it within a reasonable time.

Effective April 1, 2007, section 23.1 of the Act is repealed and the following was substituted:

Seizure of things not specified

23.1 An investigator who is lawfully present in a place pursuant to a warrant or otherwise in the execution of his or her duties may, without a warrant, seize anything in plain view that the investigator believes on reasonable grounds will afford evidence relating to a contravention of this Act or the Regulations.

## AMENDMENTS TO ONTARIO REGULATION 567/05
## GENERAL

Effective February 23, 2007:

1. Paragraph 2 of section 5 was revoked.
2. Paragraph 11 of subsection 11 (1) of the Regulation was revoked.
3. Section 26 of the Regulation was revoked.
4. The following provisions of the Regulation are revoked: paragraph 4 of subsection 32 (1), subsection 32 (2) and subsection 32 (4).

## AMENDMENTS TO ONTARIO REGULATION 579/05
## EDUCATION REQUIREMENTS, INSURANCE, RECORDS AND OTHER MATTERS

Effective February 23, 2007, subsection 11 (6) was revoked.

## AMENDMENTS TO ONTARIO REGULATIONS 580/05
## CODE OF ETHICS

Effective June 01, 2006, section 36 was amended by adding the following subsection:

(4.1) Clauses (4)(a) and (b) do not apply to a registrant who advertises before January 1, 2007.

Effective January 1, 2007, subsection 36 (4.1) of the Regulation was revoked.

# FINANCIAL REVIEW

This financial review is based on the audited financial statements for the year ended March 31 2007 and the comparative figures for the year ended March 31 2006.

## OVERVIEW

The Real Estate Council of Ontario comprises two distinct categories: General Operations and the Insurance Program. General operating receipts are derived primarily from registration fees required under the *Real Estate and Business Brokers Act, 2002*. Registration fees are amortized to income over the two-year period of each registration. Other fees include transfer fees, fees related to the Education Nominee Agreement with the Ontario Real Estate Association, cost recoveries and penalties assessed by the Discipline Committee and miscellaneous revenues. These fees are recognized in the current year. All receipts related to the Insurance Program are required to be held in trust and segregated from general operating funds into three trust funds. Insurance payments include premiums, stabilization fees, administration fees (to cover broker fees, actuarial fees and program costs) and applicable taxes. Insurance receipts are amortized to income over the period of the insurance policy.

## GENERAL OPERATIONS

### Revenues

Recognized registration revenues increased from $6,830,616 in fiscal 2006 to $7,255,808 in fiscal 2007 due to an increase of approximately 2,793 new and reinstating registrations between April 2005 and March 2006 and a further increase of 2,875 between April 2006 and March 2007. Other operating revenues increased to $1,257,530 in fiscal 2007 from $1,175,600 in fiscal 2006. Education revenues increased by $20,831; transfers increased by $23,600; CCD revenues increased by $43,919; and other miscellaneous revenues decreased by $6,420. Interest earned increased to $323,147 in fiscal 2007 compared to $189,964 in fiscal 2006 as more funds were available for investment and at higher rates.

### Expenses

Expenses include general operating departments and facilities; Board, committees and task force per diems and meeting costs; and other corporate expenses such as communications, external legal and consulting costs, election costs, the government fee under the Administrative Agreement, and amortization. Total expenses increased in fiscal 2007 by $219,624 to $7,895,358 from $7,675,734 in the previous year. Operating departments were higher by $826,287; Board committees and task forces were higher by $2,342; and other corporate expenses were lower by $609,005.

Increased expenses in operating departments reflect the full implementation of the organization structure approved by the Board, leading to the creation of two new departments, appointment of two Deputy Registrars, and other staffing and recruitment costs. Facility costs increased by $48,088, primarily for increased operating and realty taxes. Offsite data back-up and other IT services increased by $34,601; travel costs increased by $14,957; other general and administrative costs increased by $23,066. The MGS secondment agreement ended in August resulting in a decrease of $53,653 and training costs declined by $32,237. The largest decrease in expenses in other corporate is in the communications-related activities, where major undertakings in 2006 related to the implementation of REBBA 2002 were not repeated in 2007. The amortization of leasehold improvements was lower by $59,466 as 2006 included an accelerated write-off; the government fee was lower by $44,299; external legal and consulting costs were lower by $39,728; strategic planning was

lower by $40,918 as no planning sessions were held in 2007; and expenses for involvement in national and international regulators groups was lower by $45,341. These decreases were offset by an increase of $56,036 in disciplinary activities; and an increase of $33,491 in election costs as 2005 candidates were acclaimed and no election count was required.

### Net Income and Accumulated Fund Balance

Net income for the year was $941,127 compared to $520,446 in fiscal 2006. This income together with the increase in the fund balances invested in property, plant and equipment resulted in an increase in the accumulated fund balance from $1,316,921 in fiscal 2006 to $2,289,600 in fiscal 2007.

### Net Current Assets

Net current assets, excluding deferred revenue, were $9,591,963 at March 31 2007 compared to $8,501,792 at March 31 2006.

## INSURANCE PROGRAM

### Revenues

Premium revenues increased by $853,969 to $5,809,050 from $4,955,081 in 2006; Stabilization revenues increased by $87,436 to $1,428,416 from $1,340,980 2006; and Administration revenues increased by $71,754 to $1,179,681 from $1,107,927 in 2006. The increase in premiums is due to an increase in the premiums invoiced in September 2006 and to an increase in the number of subscribers. The increase in Stabilization and Administration revenues is due to the increase in subscribers to the program. Interest was $190,712 higher in fiscal 2007 as more funds were available for investment and at higher rates.

### Expenses

Premium expense was $807,609 higher than the $4,724,778 in fiscal 2006 due also to the increase in both premiums and subscribers to the Program. No expenses are charged to the stabilization fund. Expenses of the administration fund increased from $836,198 in 2006 to $1,096,249. Actuarial consulting costs were higher by $140,944; printing and other costs of $110,600 related to distribution of new insurance policies were not required in 2006; credit card discounts increased by $38,382 as greater numbers elected the on-line payment option; and a recovery of provincial sales tax of $54,189 in 2006 was not repeated in 2007. System support costs decreased by $78,633; and legal and audit costs were reduced by $10,123.

### Net Income and Accumulated Fund Balance

Net income for the premium fund for 2006 was $276,663 compared to $230,303 in 2006; $1,675,866 for the stabilization fund compared to $1,462,560 in 2006; and $210,906 compared to $334,361 for the administration fund in 2006. At March 31 2007, the accumulated fund balances were: $1,201,933 in the premium fund; $6,788,707 in the stabilization fund; $1,065,405 in the insurance administration fund.

### Net Current Assets

Net current assets, excluding deferred revenues and premiums are $10,303,761 at March 31 2007 compared to $8,059,399 at March 31 2006.

Real Estate Council of Ontario

# FINANCIAL STATEMENTS For the year ended March 31, 2007

## AUDITORS' REPORT

May 17, 2007

**To the Registrants of Real Estate Council of Ontario**

We have audited the balance sheet of Real Estate Council of Ontario as at March 31, 2007 and the statements of operations and cumulative operations and insurance trust fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

Real Estate Council of Ontario

# BALANCE SHEET

For the year ended March 31, 2007

| | OPERATIONS FUND | | INSURANCE TRUST FUNDS | | TOTAL | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **$** | $ | **$** | $ | **$** | $ |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash | **202,081** | 256,258 | **111,369** | 109,412 | **313,450** | 365,670 |
| Short-term investments | **9,302,560** | 8,671,514 | **9,961,247** | 7,923,612 | **19,263,807** | 16,595,126 |
| Accounts receivable | **454,865** | 226,853 | **244,544** | 6,300 | **699,409** | 233,153 |
| Prepaid insurance premiums | **-** | - | **2,453,693** | 2,097,217 | **2,453,693** | 2,097,217 |
| Deposits and prepaid expenses | **141,589** | 127,331 | **105,417** | 105,417 | **247,006** | 232,748 |
| | **10,101,095** | 9,281,956 | **12,876,270** | 10,241,958 | **22,977,365** | 19,523,914 |
| **Property, plant and equipment** (note 2) | **456,894** | 488,446 | **-** | - | **456,894** | 488,446 |
| | **10,557,989** | 9,770,402 | **12,876,270** | 10,241,958 | **23,434,259** | 20,012,360 |
| **LIABILITIES** | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable and accrued liabilities | **372,840** | 600,164 | **118,816** | 85,342 | **491,656** | 685,506 |
| Government fee payable (note 4) | **136,292** | 180,000 | **-** | - | **136,292** | 180,000 |
| Deferred registration revenue (note 3(a)) | **5,498,348** | 5,369,721 | **-** | - | **5,498,348** | 5,369,721 |
| Deferred insurance premiums (note 3(b)) | **-** | - | **2,585,979** | 2,210,987 | **2,585,979** | 2,210,987 |
| Deferred insurance stabilization (note 3(b)) | **-** | - | **610,864** | 576,786 | **610,864** | 576,786 |
| Deferred insurance administration (note 3(b)) | **-** | - | **504,566** | 476,233 | **504,566** | 476,233 |
| | **6,007,480** | 6,149,885 | **3,820,225** | 3,349,348 | **9,827,705** | 9,499,233 |
| **Deferred registration revenue** (note 3(a)) | **1,804,015** | 1,815,150 | **-** | - | **1,804,015** | 1,815,150 |
| | **7,811,495** | 7,965,035 | **3,820,225** | 3,349,348 | **11,631,720** | 11,314,383 |
| **ACCUMULATED FUND BALANCES** | | | | | | |
| **Investment in property, plant and equipment** (note 2) | **456,894** | 488,446 | **-** | - | **456,894** | 488,446 |
| **Restricted** | | | | | | |
| Insurance Premium Fund (schedule II) | **-** | - | **1,201,933** | 925,270 | **1,201,933** | 925,270 |
| Premium Stabilization Fund (schedule II) | **-** | - | **6,788,707** | 5,112,841 | **6,788,707** | 5,112,841 |
| Insurance Administration Fund (schedule II) | **-** | - | **1,065,405** | 854,499 | **1,065,405** | 854,499 |
| **Unrestricted** | **2,289,600** | 1,316,921 | **-** | - | **2,289,600** | 1,316,921 |
| | **2,746,494** | 1,805,367 | **9,056,045** | 6,892,610 | **11,802,539** | 8,697,977 |
| | **10,557,989** | 9,770,402 | **12,876,270** | 10,241,958 | **23,434,259** | 20,012,360 |

Approved by the Board of Directors

_____ Director

_____ Director

Real Estate Council of Ontario

# STATEMENT OF OPERATIONS AND CUMULATIVE OPERATIONS AND INSURANCE TRUST FUND BALANCES

For the year ended March 31, 2007

| | OPERATIONS FUND | | INSURANCE TRUST FUNDS | | TOTAL | |
|---|---|---|---|---|---|---|
| | **2007** **$** | 2006 $ | **2007** **$** | 2006 $ | **2007** **$** | 2006 $ |
| **Revenues and Insurance Trust Funds receipts** | | | | | | |
| Registration fees (note 3) | **7,255,808** | 6,830,616 | - | - | **7,255,808** | 6,830,616 |
| Insurance premium fees (note 3) | - | - | **5,809,050** | 4,955,081 | **5,809,050** | 4,955,081 |
| Premium stabilization fees (note 3) | - | - | **1,428,416** | 1,340,980 | **1,428,416** | 1,340,980 |
| Insurance administration fees (note 3) | - | - | **1,179,681** | 1,107,927 | **1,179,681** | 1,107,927 |
| Other income | **1,257,530** | 1,175,600 | - | - | **1,257,530** | 1,175,600 |
| | **8,513,338** | 8,006,216 | **8,417,147** | 7,403,988 | **16,930,485** | 15,410,204 |
| **Expenses and expenditures** | | | | | | |
| Council expenditures (schedules I and II) | **7,895,358** | 7,675,734 | **6,628,636** | 5,560,976 | **14,523,994** | 13,236,710 |
| **Operating income before interest income** | **617,980** | 330,482 | **1,788,511** | 1,843,012 | **2,406,491** | 2,173,494 |
| **Interest income** | **323,147** | 189,964 | **374,924** | 184,212 | **698,071** | 374,176 |
| **Net income for the year** | **941,127** | 520,446 | **2,163,435** | 2,027,224 | **3,104,562** | 2,547,670 |
| **Opening accumulated fund balances** | **1,316,921** | 774,821 | **6,892,610** | 4,865,386 | **8,209,531** | 5,640,207 |
| **Fund balances invested in property, plant and equipment** (note 2) | **31,552** | 21,654 | - | - | **31,552** | 21,654 |
| **Ending accumulated fund balances** | **2,289,600** | 1,316,921 | **9,056,045** | 6,892,610 | **11,345,645** | 8,209,531 |

Real Estate Council of Ontario

# STATEMENT OF CASH FLOWS

For the year ended March 31, 2007

| | OPERATIONS FUND | | INSURANCE TRUST FUNDS | | TOTAL | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **$** | $ | **$** | $ | **$** | $ |
| CASH PROVIDED BY (USED IN) | | | | | | |
| **Operating activities** | | | | | | |
| Net income for the year | **941,127** | 520,446 | **2,163,435** | 2,027,224 | **3,104,562** | 2,547,670 |
| Item not affecting cash | | | | | | |
| Amortization | **275,991** | 335,457 | **-** | - | **275,991** | 335,457 |
| | **1,217,118** | 855,903 | **2,163,435** | 2,027,224 | **3,380,553** | 2,883,127 |
| Non-cash working capital items related to operations | | | | | | |
| Short-term investments | **(631,046)** | (1,654,210) | **(2,037,635)** | (2,058,624) | **(2,668,681)** | (3,712,834) |
| Accounts receivable | **(228,012)** | 48,892 | **(238,244)** | 57,427 | **(466,256)** | 106,319 |
| Prepaid insurance premiums | **-** | - | **(356,476)** | (308,542) | **(356,476)** | (308,542) |
| Deposits and prepaid expenses | **(14,258)** | (11,820) | **-** | - | **(14,258)** | (11,820) |
| Accounts payable and accrued liabilities | **(227,324)** | 334,942 | **33,474** | (60,406) | **(193,850)** | 274,536 |
| Government fee payable | **(43,708)** | (40,000) | **-** | - | **(43,708)** | (40,000) |
| Deferred registration revenue | **117,492** | 735,385 | **-** | - | **117,492** | 735,385 |
| Deferred insurance premiums | **-** | - | **374,992** | 322,660 | **374,992** | 322,660 |
| Deferred insurance stabilization | **-** | - | **34,078** | 37,398 | **34,078** | 37,398 |
| Deferred insurance administration | **-** | - | **28,333** | 30,154 | **28,333** | 30,154 |
| | **(1,026,856)** | (586,811) | **(2,161,478)** | (1,979,933) | **(3,188,334)** | (2,566,744) |
| | **190,262** | 269,092 | **1,957** | 47,291 | **192,219** | 316,383 |
| **Investing activities** | | | | | | |
| Purchase of property, plant and equipment | **(244,439)** | (313,803) | **-** | - | **(244,439)** | (313,803) |
| **Increase (decrease) in cash during the year** | **(54,177)** | (44,711) | **1,957** | 47,291 | **(52,220)** | 2,580 |
| **Cash - Beginning of year** | **256,258** | 300,969 | **109,412** | 62,121 | **365,670** | 363,090 |
| **Cash - End of year** | **202,081** | 256,258 | **111,369** | 109,412 | **313,450** | 365,670 |

# NOTES TO FINANCIAL STATEMENTS March 31, 2007

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of organization

The Real Estate Council of Ontario (RECO) is a not-for-profit organization, incorporated by letters patent under the *Canada Corporations Act* on February 18, 1997. The organization is exempt from tax under the *Income Tax Act (Canada)*.

On May 5, 1997, RECO assumed responsibility from the Ministry of Government Services (MGS) (previously the Ministry of Consumer and Business Services) to administer the *Real Estate and Business Brokers Act*. RECO's mandate is to protect consumers and to administer the regulatory requirements of Ontario's real estate profession. On March 31, 2006, the *Real Estate and Business Brokers Act 2002 (REBBA 2002)* was proclaimed.

Consumer deposit insurance, errors and omissions insurance and commission protection insurance are mandatory under the Real Estate and Business Brokers Act 2002. Payments required under the program are designated to three funds: the Insurance Premium Fund, the Premium Stabilization Fund and the Insurance Administration Fund.

The Premium Stabilization Fund is a restricted fund that may be used to offset future increases in the premiums charged by the insurer. This fund may also be used to reduce the present level of premiums. A special insurance premium stabilization committee, comprised of members, must approve any use of the funds.

The Insurance Administration Fund is a fund used to pay insurance brokerage fees, actuarial fees and other administrative costs associated with the operation of the program.

### Revenue recognition

RECO follows the deferral method of accounting for revenue. RECO derives its revenue primarily from fees charged to register as a real estate salesperson, a real estate broker and a real estate brokerage and administration of insurance. Registration proceeds are for a two-year period. Revenue is recognized evenly over this two-year period. Amounts related to future years are recorded as deferred revenue. Insurance proceeds are for the one-year period of the insurance policy, which runs from September 1 of the current year to September 1 of the following year. Amounts related to the following year are recorded as deferred revenue.

### Cash and short-term investments

Cash and short-term investments comprise cash and short-term deposits where the maturity is within one year.

### Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is provided at the following annual rates on a straight-line basis:

| | |
|---|---|
| Computer equipment and software | 30% |
| Office furniture and equipment | 20% |
| Leasehold improvements | over the term of the lease |

### Use of estimates

The preparation of the organization's financial statements and the accompanying notes in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the accompanying notes. Actual results could differ from those estimates used in preparing the financial statements.

### Financial instruments

The carrying value of the organization's financial instruments consisting of cash, short-term investments, accounts receivable, deposits and prepaid expenses and accounts payable and accrued liabilities approximates their fair values because of their short-term nature and maturities.

## 2. PROPERTY, PLANT AND EQUIPMENT

| | | | 2007 |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
| Computer equipment and software | 1,378,015 | 1,236,030 | 141,985 |
| Office furniture and equipment | 944,478 | 746,418 | 198,060 |
| Leasehold improvements | 389,190 | 272,341 | 116,849 |
| | 2,711,683 | 2,254,789 | 456,894 |

| | | | 2006 |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
| Computer equipment and software | 1,336,341 | 1,114,155 | 222,186 |
| Office furniture and equipment | 821,697 | 668,191 | 153,506 |
| Leasehold improvements | 366,706 | 253,952 | 112,754 |
| | 2,524,744 | 2,036,298 | 488,446 |

Fund balances invested in property, plant and equipment are as follows:

| | $ |
|---|---|
| Invested in property, plant and equipment - Beginning of year | 488,446 |
| Additions during the year | 244,439 |
| Amortization charge for the year | (275,991) |
| Invested in property, plant and equipment - End of year | 456,894 |

## 3. DEFERRED REVENUE

### a) Operations Fund

Deferred revenue represents registration fees received, which relate to subsequent periods. The movements in the deferred revenue balance during the year were:

| | $ |
|---|---|
| Opening balance | 7,184,871 |
| Registration fees received in fiscal 2007 | 7,373,300 |
| Less: Amounts recognized as revenue in the year | (7,255,808) |
| Ending balance | 7,302,363 |
| Amounts to be recognized as revenue in fiscal 2008 | 5,498,348 |
| Amounts to be recognized as revenue in fiscal 2009 | 1,804,015 |
| | 7,302,363 |

### b) Insurance Trust Funds

| | Insurance Premium Fund $ | Premium Stabilization Fund $ | Insurance Administration Fund $ | Total $ |
|---|---|---|---|---|
| Opening balance | 2,210,987 | 576,786 | 476,233 | 3,264,006 |
| Insurance payments received in fiscal 2007 | 6,184,042 | 1,462,494 | 1,208,014 | 8,854,550 |
| Less: Amounts recognized as revenue in the year | (5,809,050) | (1,428,416) | (1,179,681) | (8,417,147) |
| Ending balance | 2,585,979 | 610,864 | 504,566 | 3,701,409 |
| Amounts to be recognized as revenue in fiscal 2008 | 2,585,979 | 610,864 | 504,566 | 3,701,409 |

## 4 MINISTRY OF GOVERNMENT SERVICES

An Administrative Agreement was entered into with the Ministry of Government Services (MGS). Under this agreement, the maximum fee payable will not exceed $220,000 per year. Amounts payable under the agreement are recognized in the year incurred. MGS provided certain administrative services during fiscal 2007 by providing staff on a seconded basis.

## 5 COMMITMENTS

The organization has minimum commitments under leases for premises and equipment. The future estimated lease payments are:

| | $ |
|---|---|
| 2008 | 438,818 |
| 2009 | 400,359 |
| 2010 | 394,686 |
| 2011 | 386,926 |
| 2012 | 371,404 |
| | 1,992,193 |

## 6 FUNDS HELD IN TRUST

The Council holds in trust consumer deposits transferred by brokers as dormant trust funds. At March 31, 2007, these deposits, together with the accumulated interest, amounted to $838,351 (2006 - $248,546). These amounts have not been included in the financial statements.

## 7 CONTINGENT LIABILITIES

The organization is involved in various claims and litigation both as plaintiff and respondent. In the opinion of management, the resolution of claims against the organization will not result in a material effect on the financial position of the organization. Any settlements or awards will be reflected in the statement of operations, as the matters are resolved.

## 8 COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform to the current year's financial statement presentation.

Real Estate Council of Ontario

Schedule I

# SCHEDULE OF COUNCIL EXPENDITURES

For the year ended March 31, 2007

| | 2007 $ | 2006 $ |
|---|---|---|
| **Operating expenses** | | |
| Office of the President and Chief Executive Officer | 434,973 | 332,630 |
| Office of the Registrar | 359,232 | 153,607 |
| Registration Department | 807,484 | 797,994 |
| Inspections and Investigations | 684,992 | 618,733 |
| MGS service charges (note 4) | 38,886 | 92,539 |
| Complaints and Compliance Department | 489,074 | 501,702 |
| Office of the Director of Corporate Services | 233,427 | - |
| Legal Services Department | 672,062 | 584,973 |
| Administration and Human Resources | 516,239 | 455,932 |
| Finance and Accounting Department | 233,781 | 223,367 |
| Communications and Corporate Initiatives | 276,919 | 297,764 |
| Information Technology Department | 410,826 | 320,455 |
| Facilities cost | 931,467 | 883,379 |
| | 6,089,362 | 5,263,075 |
| **Board of Directors and task forces** | | |
| Board of Directors' per diems | 67,752 | 70,236 |
| Board of Directors' travel and meeting costs | 60,402 | 51,645 |
| Nominee Working Group | 1,972 | 1,725 |
| Agency Task Force Working Group | - | 1,506 |
| Legislation and Regulation Committee | - | 1,075 |
| Education Committee | 24,310 | 33,800 |
| Governance Committee | 7,446 | 6,172 |
| By-law Committee | 1,475 | 64 |
| Audit Committee | 1,484 | - |
| Finance Committee | 4,022 | 3,634 |
| Commercial Real Estate Advisory Group | 3,336 | - |
| | 172,199 | 169,857 |
| **Other corporate** | | |
| Amortization | 275,991 | 335,457 |
| Communications | 415,572 | 889,373 |
| Government fee (note 4) | 135,064 | 179,363 |
| Disciplinary activities | 133,005 | 76,969 |
| Legal and consulting | 316,161 | 355,889 |
| Discipline Committee | 5,445 | - |
| Appeals Committee | 42 | - |
| Directors' and Officers' liability insurance | 190,814 | 187,637 |
| Annual General Meeting | 61,492 | 58,161 |
| Strategic Planning | 850 | 41,768 |
| Elections | 46,748 | 13,257 |
| Consumer Advisory Group | 7,020 | 15,413 |
| Audit fees | 32,976 | 31,557 |
| Canadian Regulators Group | 12,617 | 57,958 |
| | 1,633,797 | 2,242,802 |
| | 7,895,358 | 7,675,734 |

Real Estate Council of Ontario

Schedule II

# SCHEDULE OF FUND BALANCES

For the year ended March 31, 2007

| | Insurance Premium Fund $ | Premium Stabilization Fund $ | Insurance Administration Fund $ | 2007 Total $ | 2006 Total $ |
|---|---|---|---|---|---|
| **Insurance funds** | | | | | |
| Insurance funds recognized | 5,809,050 | 1,428,416 | 1,179,681 | 8,417,147 | 7,403,988 |
| Interest earned | - | 247,450 | 127,474 | 374,924 | 184,212 |
| | 5,809,050 | 1,675,866 | 1,307,155 | 8,792,071 | 7,588,200 |
| **Expenditures** | | | | | |
| Brokerage fees | - | - | 253,000 | 253,000 | 253,000 |
| Actuarial fees | - | - | 330,757 | 330,757 | 189,813 |
| Provincial sales tax | - | - | - | - | (54,189) |
| Legal and audit | - | - | 19,232 | 19,232 | 29,355 |
| Insurance staffing | - | - | 79,018 | 79,018 | 73,497 |
| Insurance Committee | - | - | 9,929 | 9,929 | 10,467 |
| Bank charges and other miscellaneous | - | - | (1,751) | (1,751) | (699) |
| Stabilization Committee | - | - | 1,593 | 1,593 | 833 |
| Printing costs | - | - | 50,767 | 50,767 | 24,175 |
| Credit card discounts | - | - | 180,520 | 180,520 | 142,138 |
| Processing and mailing costs | - | - | 171,908 | 171,908 | 87,899 |
| System support | | - | 1,276 | 1,276 | 79,909 |
| Insurance | 5,532,387 | - | - | 5,532,387 | 4,724,778 |
| | 5,532,387 | - | 1,096,249 | 6,628,636 | 5,560,976 |
| **Net income for the year** | 276,663 | 1,675,866 | 210,906 | 2,163,435 | 2,027,224 |
| **Opening accumulated fund balances** | 925,270 | 5,112,841 | 854,499 | 6,892,610 | 4,865,386 |
| **Ending accumulated fund balances** | 1,201,933 | 6,788,707 | 1,065,405 | 9,056,045 | 6,892,610 |

# MANAGEMENT

## TOM WRIGHT, LL.B.President/CEO

The President/CEO is responsible for the effective and efficient management of the organization in accordance with the policies and the budget established by the Board of Directors. This encompasses delegation of full authority over RECO's operating activities and resources, responsibility for achievement of RECO's strategic goals, and accountability for RECO's results.

## ALLAN T. JOHNSTON, Registrar

The Registrar is responsible for providing leadership, integrity and fair-mindedness to the administration of REBBA 2002, and to ensure the highest possible level of consumer protection and knowledge in the operation of the real estate brokerage industry in Ontario.

## DAN STAPLETON, Director, Corporate Services

The Director, Corporate Services supports the President/CEO by ensuring the efficient and effective management of the Real Estate Council of Ontario's non-regulatory operations, as organized under Corporate Services including administration; finance; information technology; communications; legal services and insurance services.

## BRIAN PRENDERGAST, Deputy Registrar

The Deputy Registrar is responsible for providing daily management of the Registration and Education departments, developing and implementing operational objectives to ensure maximum administrative and service results and ensuring that the requirements of REBBA 2002 and RECO's Policies are interpreted and applied in a consistent fashion.

## BRIAN SCHLOTZHAUER, Deputy Registrar

The Deputy Registrar is responsible for providing daily management of the Registration and Education departments, developing and implementing operational objectives to ensure maximum administrative and service results and ensuring that the requirements of REBBA 2002 and RECO's Policies are interpreted and applied in a consistent fashion.

## JOHN BURNET, Manager of Complaints, Compliance & Discipline

The Manager of Complaints, Compliance and Discipline (CCD) is responsible for administering and managing, by various means, RECO's Complaints, Compliance and Discipline process and providing interpretation of the RECO Code of Ethics.

## JENNIFER DOHERTY, Manager, Administration & Human Resources

The Manager, Administration & Human Resources is responsible for the internal administrative matters of the organization, including conducting or supervising all office management functions, such as office equipment, facilities, support services, and human resources.

## GLORIA FOUGERE, C.A., Manager of Finance & Accounting

The Manager, Finance and Accounting is responsible for establishing and overseeing all functions related to finance and accounting.

## SANDRA GIBNEY, Manager, Communications & Corporate Initiatives

The Manager of Communications and Corporate Initiatives is responsible for managing the public relations/corporate communications activities of the Council; managing and/or developing corporate strategies, plans and policies that support the Council's vision/mission; and assisting the CEO in the development of strategic plans, business plans and other corporate reports.

## JAMES LEUTRI, CCNP, Manager, Information Technology

The Manager of Information Technology is responsible for building and managing the IT organizational structure. The Manager of Information Technology understands RECO's strategy and business objectives and works with Management to determine how technology can be used to support and advance these objectives.

## ELIZABETH SILCOX, B.A. (Hon), LL.B., Manager, Legal Services

The Manager of Legal Services is responsible for managing and providing the legal services required to support the activities of all departments of RECO, including the Board of Directors, its Committees, Task Forces, Working Groups and the office of the President/CEO as required.

## ANGELA VOLPE, Manager of Registration

The Manager of Registration provides daily management of the Registration department; develops and implements technical and operational objectives; represents the Office of the Registrar at the License Appeal Tribunal and at Provincial Offenses Court; and ensures the requirements of REBBA 2002 and RECO's policies and procedures as they relate to registration are interpreted and applied in a consistent fashion.

## SHELLEY WESTLAKE-BROWN, Manager, Executive & Board Operations

The Manager, Executive & Board Operations is responsible for providing executive level administrative management to the Office of the President/CEO, including a wide range of complex and confidential administrative, operational and governance tasks. The Manager, Executive & Board Operations works closely with the Board of Directors, Committees, Task Forces and Management Group.

# BOARD OF DIRECTORS

RECO is governed by a 12-member Board of Directors, which includes nine elected representatives who are registered under REBBA 2002 and three non-registrants appointed by the Minister of Government Services to represent consumers, business and government. RECO's Board of Directors is responsible for providing progressive, collective leadership and direction to RECO.

## ELECTED DIRECTORS

JOE O. PINHEIRO
CHAIR
Broker of Record/Owner
Pinheiro Realty & Ins. Ltd.
London

BRIAN C. SUKKAU B.A.
VICE-CHAIR
Broker
Royal LePage Niagara Real Estate Centre Inc.
St. Catharines

THOMAS W. BOSLEY FRI, CRB
Broker of Record/Owner
Bosley Real Estate Ltd.
Toronto

GLENDA BRINDLE
Broker
Royal LePage Team Realty
Ottawa

LYNN CRAIGMYLE
Broker/Manager
Bowes & Cocks Limited, Realtor
Haliburton

RICK KOLARI
Broker
NBR R.A. Kolari Realty Inc.
Sudbury

CYNTHIA LAI FRI
Broker
Global Link Realty Group Inc.
Toronto

GEORGE LAVALLEE B.Sc.
Broker of Record
Century 21 Add Vantage Realty Ltd.
Kitchener

DAVID ROSSI FRI, CMR, CRB
Broker
Re/Max Professionals Inc.
Toronto

## APPOINTED DIRECTORS

LAWRENCE BREMNER
Associate
Gowling Lafleur Henderson LLP
Hamilton

BOB DUNLOP
President
Carson, Dunlop & Associates
Toronto

MARY SHENSTONE
Executive Lead – Agencies, Boards and Commissions Project
Ministry of Government Services
Toronto

# COMMITTEES, TASK FORCES, WORKING GROUPS & ADVISORY GROUPS

### Agency Task Force
The RECO Board of Directors supports a collaborative approach and worked with the Ontario Real Estate Association (OREA) to form a joint RECO/OREA Working Group to discuss the recommendations contained in the final report of the Canadian Regulators Group Agency Task Force. This joint Working Group will review and discuss next steps for consulting with interested industry groups.

### Appeals Committee
The Appeals Committee is established to hear, consider and decide appeals related to Discipline Committee decisions.

### Audit Committee
The Audit Committee is established to assist the Board in meeting its fiduciary responsibilities.

### By-laws Committee
The By-laws Committee is established to periodically examine and review corporate By-laws and recommend and report to the Board of Directors on additions, amendments or deletions that the Committee deems appropriate.

### Commercial Real Estate Advisory Group
The Commercial Real Estate Advisory Group is established to provide advice to the Board of Directors on regulatory issues in the commercial real estate sector.

### Consumer Advisory Group
The Consumer Advisory Group reports to the President/CEO. The Group is established to provide a forum for two-way communication with consumers and consumer interest groups.

### Discipline Committee
The Discipline Committee is established to hear matters referred to it by the Registrar. Discipline Panels determine whether or not registrants have complied with the Code of Ethics under the Act.

### Education Committee
The Education Committee is established to review education requirements for registrants and provide advice to the Registrar. The Committee may also make recommendations regarding potential changes to educational requirements or policies related to education providers and approved subject areas.

### Finance Committee
The Finance Committee is established to advise the Board on financial policies and the annual budget.

### Governance Committee
The Governance Committee is established to develop, recommend to the Board of Directors, implement and assess effective corporate governance principles.

### Insurance Committee
The Insurance Committee is established to monitor the registrant insurance program on an ongoing basis, including claims data, policy wording and administration.

### Legislation & Regulations Committee
The Legislation & Regulations Committee is established to develop recommendations to the Board of Directors related to potential changes to the REBBA 2002 and associated regulations. The Committee may also make recommendations to the Board regarding consultation related to potential regulation changes.

### Premium Stabilization Committee
The Premium Stabilization Committee is established to monitor the premium stabilization fund created as part of the registrant insurance program and ensure that any use of these funds is transparent.

# ORGANIZATIONAL STRUCTURE

RECO's programs and services are delivered through the structure outlined in the chart below:

RECO's Board of Directors is responsible for providing progressive, collective leadership and direction to RECO. Under REBBA 2002, certain regulation making powers have been delegated to the RECO Board effective September 30, 2007.

The President/CEO is responsible for the effective and efficient management of the organization in accordance with the policies and budget established by the Board of Directors.

The Registrar is appointed to exercise powers and carry out duties imposed under REBBA 2002, its regulations and other Acts.

## Programs and services

RECO is committed to working with consumers, registrants and government to maximize the value of regulation through:

**Registration:**
Enforcing the standards required to obtain and maintain registration under REBBA 2002

**Education:**
Establishing the minimum requirements for pre-registration, registration-related and continuing education programs

**Brokerage Office Inspections:**
Conducting routine inspections of brokerage offices to ensure compliance with REBBA 2002 and educate brokers

**Complaints & Investigations:**
Addressing concerns and complaints about the conduct of registrants received from all sources and taking appropriate regulatory action to protect the public interest

**Insurance:**
Establishing and administering insurance requirements, which include consumer deposit protection paid for by real estate brokers and salespersons

Fostering confidence
and upholding integrity
in real estate transactions

Real Estate Council of Ontario

# RECO BUSINESS PLAN 2008 – 2010

## GOVERNANCE & ACCOUNTABILITY

| | |
|---|---|
| Provide strategic leadership | • Set clear and well-understood goals and priorities that are consistent with the strategic direction, legislative requirements, the Administrative Agreement and RECO's By-laws<br>• Allocate resources to support strategic priorities; monitor/review funding to ensure the future stability and endurance of the organization<br>• Monitor industry trends and issues; identify any consumer protection gaps that may exist in the real estate sector<br>• Develop a business continuity plan<br>• Engage in strategic plan review in September 2007; review goals and objectives and operational plans on a quarterly basis; adjust where required |
| Fulfill requirements of the administrative agreement with the Ministry of Government Services | • Ensure that future changes to regu[illegible]ns are addressed within the framework of the consultation criteria established by the Minister of Government Services<br>• Working with Ministry staff, jointly develop a policy and guidelines to set out the principles and procedures for exploring and establishing ventures or partnerships to carry out non-delegated activities<br>• Conduct a client satisfaction survey in September 2007<br>• Prepare and submit enhanced quarterly performance reports to the Ministry; provide regular updates on new and ongoing issues<br>• Meet all requirements of the Administrative Agreement in an effective and efficient manner |
| Meet the obligations of the Governance Model | • Review Committee, Task Force and Working Group structure; implement changes as required<br>• Continue to assess Board performance on an ongoing basis<br>• Invest in training for the Chair, Vice-Chair and Directors |

## LEGISLATION & REGULATIONS

| | |
|---|---|
| Effective and efficient administration of REBBA 2002 | • Finalization and full implementation of the new Registrar's Complaints and Inquiries Process<br>• Implement changes related to non-payment of insurance premiums resulting from the Ministry of Government Services Consumer Protection and Services Modernization Act<br>• Invest in tra[illegible]ing for the Chair, Vice-Chair and Directors |

| | |
|---|---|
| Enhance consumer protection through continuous improvement initiatives | • Consult with the Ministry of Government Services on suggested modifications to regulations under REBBA 2002 within the stipulations of regulation-making authority delegated to the RECO Board of Directors<br>• Initiate a public consultation related to the recommendations contained in the Canadian Regulators Group *Report of the Agency Task Force*<br>• Commence preliminary review of potential RECO role in the establishment of standard forms<br>• Implement an online bulletin/news service for the public |
| Provide a stable and affordable Insurance Program that meets the requirements of REBBA 2002 | • Continued review and assessment of program options by the Insurance Committee and Board of Directors<br>• Monitor claims data, policy wording and program administration on an ongoing basis<br>• Negotiate terms and conditions with insurance service providers on an annual basis |

## ENHANCE REGISTRANT KNOWLEDGE, COMPETENCE AND PROFESSIONALISM

| | |
|---|---|
| Provide an education model with improved content and delivery | • Negotiate contract(s) with the designate(s) authorized to provide the Pre-Registration, Articling and Broker Educational Program commencing August 2008<br>• Review Education Committee recommendations to improve the administration and delivery of the Continuing Education Program<br>• Monitor and review registration-related education on an ongoing basis; identify emerging industry trends and consumer protection issues; implement improvements as needed<br>• Develop a risk management strategy for registrants based on insurance claims data and coordinate educational initiatives focusing on loss prevention |
| Maintain brokerage inspection program | • Continue risk-based inspections program and courtesy inspections for new brokerages<br>• Continue to provide support to brokerages related to changes in legislation or regulations that affect record-keeping practices<br>• Inspect each registered brokerage at least once every 5 years |

## SERVICE DELIVERY

| | |
|---|---|
| Enhance electronic services | • Implement pilot-testing of online registration renewals in 2007<br>• Phase in electronic voting for the election of directors, commencing in 2008 (contingent upon membership approval of proposed changes to the Election By-law in June 2007)<br>• Launch a redesigned website with improved architecture in 2007<br>• Launch an online version of the *Guide to REBBA 2002*; identify and incorporate updates and enhancements on an ongoing basis<br>• Continue to deliver news and information electronically to registrants signed up for MyWeb (an extranet service); phase in an online newsletter in 2007<br>• Implement online polls and surveys to provide effective two-way communication with stakeholders |

## PUBLIC AWARENESS

| | |
|---|---|
| Monitor effectiveness of complaints-handling process | • Identify and implement changes to respond to increased volumes in an efficient manner<br>• Monitor turnaround times; identify and implement changes to increase efficiency; streamline handling of advertising-related complaints |
| French language services | • Respond in French to all communications and inquiries received in French |
| Increase public awareness of the value of dealing with a registered broker or salesperson | • Promote public awareness of the consumer protection available when dealing with a registered brokerage, broker or salesperson<br>• Develop online/print publications focusing on the respective rights and responsibilities of consumers and registrants<br>• Incorporate a significantly expanded consumer section into the redesign of the RECO website<br>• Initiate an advertising program directing the public to the RECO website |

## STAKEHOLDER RELATIONS

| | |
|---|---|
| Continue to strengthen relationship with Ministry of Government Services | • Attend regular meetings with Ministry staff on key corporate initiatives, including ongoing issues related to REBBA 2002 and associated regulations<br>• Ensure that reporting reflects the full scope of activities delegated to RECO and provide additional issue updates as required |
| Continue to participate in Canadian Regulators Group (CRG) and Association of Real Estate Licence Law Officials (ARELLO) | • Participate in each of the scheduled CRG meetings and support CRG projects and initiatives<br>• Participate in the annual ARELLO conference and support ARELLO projects and initiatives |
| Continue to work with other administrative authorities, Regulators and Real Estate sector organizations | • Attend regular meetings and events in order to share best practices and identify opportunities for enhancing RECO's service delivery and operational efficiency |
| Continue to work with the Ontario Real Estate Association (OREA), its member boards | • Continue to strengthen relationship with OREA and its member boards; attend or participate in OREA and member board events and meetings throughout the province<br>• Participate in the RECO/OREA Working Group to discuss the recommendations contained in the CRG *Report of the Agency Task Force*<br>• Continue to participate in RECO/OREA liaison meetings |

# SUMMARY OF FINANCIALS FOR FISCAL 2008 – 2010

| Operating Fund | 2008 Budget | 2009 Plan | 2010 Plan |
|---|---|---|---|
| Registration fees | 7,518,000 | 7,446,000 | 7,666,000 |
| Premium fund fees | | | |
| Premium stabilization fund fees | | | |
| Insurance administration fund fees | | | |
| Other revenues | 1,522,800 | 1,525,139 | 1,525,139 |
| **Total revenues** | 9,040,800 | 8,971,139 | 9,191,139 |
| | | | |
| Operating departments | 6,793,653 | 6,803,244 | 6,813,984 |
| Board, committees and task forces | 246,800 | 246,800 | 232,200 |
| Other operating costs | 2,350,710 | 1,835,360 | 2,110,885 |
| Amortization | 226,019 | 230,519 | 230,519 |
| **Total expenses/expenditures** | 9,617,182 | 9,115,923 | 9,387,588 |
| | | | |
| Income/(loss) | (576,382) | (144,784) | (196,449) |
| | | | |
| Net change in funds invested in capital | (197,750) | 215,519 | 215,519 |
| Estimated opening accumulated fund balance | 2,150,864 | 1,376,732 | 1,447,468 |
| **Closing accumulated fund balance** | 1,376,732 | 1,447,468 | 1,466,539 |
| **Increase/(reduction) in accumulated fund 2007 to 2010** | | | (684,325) |

| Insurance Funds | 2008 Budget | 2009 Plan | 2010 Plan |
|---|---|---|---|
| Registration fees | | | |
| Premium fund fees | 6,761,958 | 7,200,000 | 7,200,000 |
| Premium stabilization fund fees | 1,445,191 | 1,440,000 | 1,440,000 |
| Insurance administration fund fees | 1,193,728 | 1,189,440 | 1,189,440 |
| Other revenues | 391,642 | 454,817 | 486,131 |
| **Total revenues** | 9,792,518 | 10,284,257 | 10,315,571 |
| | | | |
| Operating departments | 8,007,293 | 8,353,600 | 8,353,600 |
| Board, committees and task forces | | | |
| Other operating costs | | | |
| Amortization | | | |
| **Total expenses/expenditures** | 8,007,293 | 8,353,600 | 8,353,600 |
| | | | |
| Income/(loss) | 1,785,226 | 1,930,657 | 1,961,972 |
| | | | |
| Net change in funds invested in capital | | | |
| Estimated opening accumulated fund balance | 8,993,878 | 10,779,104 | 12,709,761 |
| **Closing accumulated fund balance** | 10,779,104 | 12,709,761 | 14,671,733 |
| **Increase/(reduction) in accumulated fund 2007 to 2010** | | | 5,677,854 |

# NOTES

# NOTES

Design: Electra Communications Inc. Hamilton, ON

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